

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 SSO-00 NSCE-00 USIE-00 INRE-00

CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03 NSAE-00 NSC-05

PA-02 PRS-01 SP-02 SS-15 ACDA-10 TRSE-00 SAJ-01

AID-05 CEA-01 COME-00 EB-07 EA-09 FRB-01 IO-11 NEA-10

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TO SECSTATE WASH DC IMMEDIATE 0735

INFO USMISSION NATO

USMISSION EC BRUSSELS

UNCLAS SECTION 01 OF 02 OECD PARIS 05236

E.O. 11652: N/A

TAGS: AORG, NATO, OECD

SUBJECT: COORDINATED ORGANIZATION PENSION SCHEME FOR
NATO AND OECD

REFS: (A) USNATO 916, (B) USNATO 0858

1. SUMMARY: SOME OF THE ASSERTIONS IN USNATO'S LATEST
CABLE ON PENSION SCHEME ARE UNFOUNDED AND MISS THE POINT
ON THE CRITICAL LEGAL AND MONETARY POLICY ISSUES.

2. WE ARE FORWARDING IN A SEPARATE MESSAGE AN ADVANCE
DRAFT OF OECD SECRETARY-GENERAL'S PAPER ON THE 127TH
CCG REPORT. IN OUR VIEW APPROACH IN THIS LATEST PAPER
(AS WELL AS IN THE COMBINED SECRETARIES-GENERAL PAPER
THAT PRECEDED IT) IS A RESTRAINED AND STUDIED ATTEMPT
TO PORTRAY THE REAL SITUATION IN OECD. THE OECD
SEC-GEN PAPER SPEAKS FOR ITSELF. IT IS IMPORTANT TO
REMIND WASHINGTON THAT A PENSION SCHEME WAS ACCEPTED
WITH EFFECT FROM JULY 1, 1974 BY THIS ORGANIZATION AND
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VALIDATIONS HAVE BEEN MADE ON THE ORIGINALLY AGREED

BASIS. AS WE REPORTED EARLIER, THERE IS LITTLE SUPPORT HERE FOR A CHANGE IN THE FORMULA TO BE USED FOR CALCULATING VALIDATION COSTS.

2. WITHOUT INDULGING OURSELVES IN A POINT-BY-POINT REFUTATION THE "ACCOUNTING UNIT VALUE" FOR VALIDATION OF PAST SERVICE WORKED OUT FOR THE IMPLEMENTATION OF THE MINORITY POSITION IN ANNEX D, CCG/W(76)1, JANUARY 22, 1976. MAY HAVE SOME VALIDITY IN NATO, IT HAS NONE IN OECD. IT HAS ONLY BEEN ACCEPTED BY THREE DELEGATIONS SUPPORTING THE MINORITY POSITION AND THE EXAMPLES CITED ARE FROM WORKING DOCUMENTS AND NOT DOCUMENTS APPROVED BY EITHER THE CCG AND COUNCILS.

3. WITH ABOUT SIX EXCEPTIONS OECD EMPLOYEES HAVE BEEN PAID IN FRENCH FRANCS. ALL OECD EMPLOYEES WHO HAVE CONTRIBUTED TO THE OECD PROVIDENT FUND OVER PAST PERIODS WERE CREDITED IN TERMS OF FRENCH FRANCS AS OF THE DATE OF EACH CONTRIBUTION. OECD FUND ACCOUNTING HAS BEEN KEPT IN FRENCH FRANCS. THE OECD PROVIDENT FUND LEGALLY OWES EMPLOYEES ONLY THE PRESENT FRANC VALUE OF THEIR INDIVIDUAL FRANC ACCOUNTS. THE COST OF VALIDATION IN TERMS OF CONTRIBUTIONS TO THE PROVIDENT FUND CAN BE BASED ONLY ON THE FRANC VALUE OF THOSE CONTRIBUTIONS INEVITABLY IN A CLAIM THAT THE VALUE OF THE RESIDUAL HOLDINGS IN THE INDIVIDUAL ACCOUNTS IN THE PROVIDENT FUND (I.E., SIMILARLY GUARANTEED AND INDEED THAT THE PENSION FUND ITSELF) BE GUARANTEED REGARDLESS OF THE NATIONALITY OF THE EMPLOYEE. IN THIS SENSE AT LEAST THIS ORGANIZATION APPLICATION OF A U/A WOULD CONSTITUTE INTRODUCTION OF A FORM OF EXCHANGE GUARANTEE AND RAISE IMPORTANT LEGAL AS WELL AS INTERNATIONAL MONETARY POLICY ISSUES. THE MISSION URGES THAT WE NOT BE INSTRUCTED TO SUPPORT THIS CONCEPT WHICH THE US HAS

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NEVER PREVIOUSLY ACCEPTED, EITHER AMONG GOVERNMENTS, OR BETWEEN THE GOVERNMENT AND ANY PRIVATE PERSONS OR EMPLOYEES OF INTERNATIONAL ORGANIZATIONS UNTIL CAREFUL CONSULTATIONS WITH TREASURY LEGAL STAFF.

4. MORE THAN INCIDENTALLY, OECD PROVIDENT FUND HAS DONE WELL BECAUSE ALTHOUGH FUND HAS BEEN HANDLED IN FRENCH FRANCS, FUND MANAGEMENT, NOT SURPRISINGLY FOR THIS ORGANIZATION, INVESTED IN D-MARK ASSETS. SO WHILE NOT BENEFITTING FROM ANY EXCHANGE GUARANTEE EMPLOYEES INDIVIDUAL ACCOUNTS DENOMINATED IN FRANCS HAVE DONE VERY WELL. ONE COULD HAVE APPLIED ANY VALIDATION FORMULA AT THE OUTSET RANGING FROM MORE CONFISCATORY VARIETIES TO, SAY, APPLICATION OF AN 8 PER CENT INTEREST, DEPENDING ON HOW BADLY ONE WISHED TO DISCOURAGE RECOURSE TO PENSION FUND. OR ONE COULD HAVE WRITTEN THE PENSION SCHEME TO EXCLUDE ANY BUY-IN PROVISIONS (AS WE HAVE BEEN TOLD BY SENIOR US INSURANCE EXECUTIVES VISITING UNCLASSIFIED

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HERE). BUT THE FORMULA FINALLY CHOSEN WAS SIMILAR TO A US GOVERNMENT FORMULA AND WAS BROADLY APPLICABLE TO ALL COORDINATED ORGANIZATIONS. TO TRY TO INTRODUCE WHOLLY NEW ACCOUNTING UNIT CONCEPT INTO OECD AT THIS STAGE NOT ONLY WOULD BE A NEW ACTION (AND THEREFORE ONE NOT FEASIBLE UNDER THE UNANIMITY RULE) BUT WOULD ALSO IF SUCCESSFUL OPEN THE ORGANIZATION TO MANY LEGAL CLAIMS INCLUDING THE ONE THAT THE VALUE OF THE RESIDUAL HOLDINGS AND THE PENSION BENEFITS ALSO BE GUARANTEED AGAINST EXCHANGE RISKS.

5. IN SUM TO TRY TO APPLY A NATO FORMULA TO THE OECD

SITUATION WOULD BE UNSUCCESSFUL AND UNDESIRABLE. WE
URGE THE DEPARTMENT NOT TO INSTRUCT TO MAKE UNPOPULAR
STATEMENTS FOR THE RECORD AND ESPECIALLY NOT THE
ASSERTION IN PARA 10.A OF REFTTEL (A).
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